



March 7, 2017

The Honorable Andy Josephson and the Honorable Geran Tarr  
Alaska State Representatives  
Co-Chairs, House Resource Committee  
State Capitol Rooms 102 and 126  
Juneau, AK 99801

Dear Co-Chairs Josephson and Tarr:

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue (DOR) during Tax Director Ken Alper's presentation to the House Resources Committee on February 17, 2017. Please see questions in italics and our responses immediately below the questions.

**1. Clarification regarding the Exploration Incentive Credit.**

During the February 17, 2017 presentation, it was incorrectly stated that the Department of Natural Resources' Exploration Incentive Credit was never used. To clarify, the credit was last used in the early 1990's, but has not been used since and was repealed in 2016.

**2. Provide an updated version of Slide 15 showing annual industry investment.**

Please see the following slide with the additional information that was requested. The new last column of information shows total statewide lease expenditures as reported on tax returns and monthly information forms.

***Question: Tax Credit Fund Appropriations  
(with total lease expenditures added)***

**Oil and Gas Tax Credit Fund:**  
**Budgeted vs. Actual vs. Statutory Tax Credit Fund Formula**  
(Beginning with the first budget cycle after the passage of ACES in November 2007)

Fiscal Year	Original Appropriation (\$million)	Actual Claimed Credits (\$million)	Actual Production Tax (\$million)	Plus Credits Against Liab (\$million)	AS 43.55.011 Revenue (\$million)	Oil Price Per Spring 16 Forecast	Credit Cap per AS 43.55.028(c)	End Year Fund Balance	Total Statewide Lease Expenditures (\$million)
<b>Actual</b>									
FY09	not to exceed \$175	\$193	\$3,101	\$334	\$3,435	\$85.73	\$343	\$150	\$4,839
FY10	unspec **	\$250	\$2,861	\$412	\$3,273	\$65.70	\$327	\$228	\$4,991
FY11	est. \$180	\$450	\$4,543	\$361	\$4,904	\$73.32	\$490	\$268	\$5,245
FY12	est. \$400	\$353	\$6,137	\$363	\$6,500	\$94.70	\$650	\$565	\$5,979
FY13	est. \$400	\$369	\$4,043	\$550	\$4,593	\$110.44	\$459	\$655	\$6,754
FY14	est. \$400	\$593	\$2,589	\$919	\$3,508	\$109.61	\$351	\$413	\$7,839
FY15	est. \$450	\$628	\$363	\$664	\$1,027	\$95.24	\$103	(\$112)	\$8,312
FY16	est. \$700	\$500	\$144	\$70	\$214	\$39.99	\$32	(\$580)	\$7,322

**3. Create versions of Slide 16 and 17 breaking out North Slope and Non-North Slope activity.**

Slide 16 of the February 17, 2017 presentation compared production tax revenue to statewide tax credits (note, the table was incorrectly labeled “Statewide Tax Credits and Unrestricted Petroleum Revenue” in the original presentation and should have been labeled “Statewide Tax Credits and Production Tax”). Slide 17 of the February 17, 2017 presentation compared unrestricted petroleum revenue to statewide tax credits.

Please see the attached document:

- I. Statewide Tax Credits Compared to Production Tax and Unrestricted Revenue, FY 2007 – FY 2026

This document contains a write-up and requested graphs:

- 1) North Slope Tax Credits and Production Tax Revenue
- 2) Non-North Slope Tax Credits and Production Tax Revenue
- 3) North Slope Tax Credits and Unrestricted Petroleum Revenue
- 4) Non-North Slope Tax Credits and Unrestricted Petroleum Revenue

Please note that the historical breakout by area of unrestricted petroleum revenue from FY 2007 to FY 2015 is not available, so the attached charts have an assumption related to this split between North Slope and Non-North Slope that is described in the Key Assumptions Section in the attached document.

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,



Randall Hoffbeck  
Commissioner

Attachment:

- I. Statewide Tax Credits Compared to Production Tax and Unrestricted Revenue, FY 2007 – FY 2026

**Title: Statewide Tax Credits Compared to Production Tax and Unrestricted Revenue, FY 2007 - FY 2026**

Preparer: Ky Clark, Economist, 465-8222 and Dan Stickel, Chief Economist, 465-3279

Date: 3/2/2017

Purpose: To show the amount of production tax and unrestricted petroleum revenue compared with tax credits by area, broken down by North Slope and Non-North Slope, as requested by the House Resources Committee.

Data Source: Fall 2016 Revenue Sources Book, pgs. 79-80, and supporting data/analysis

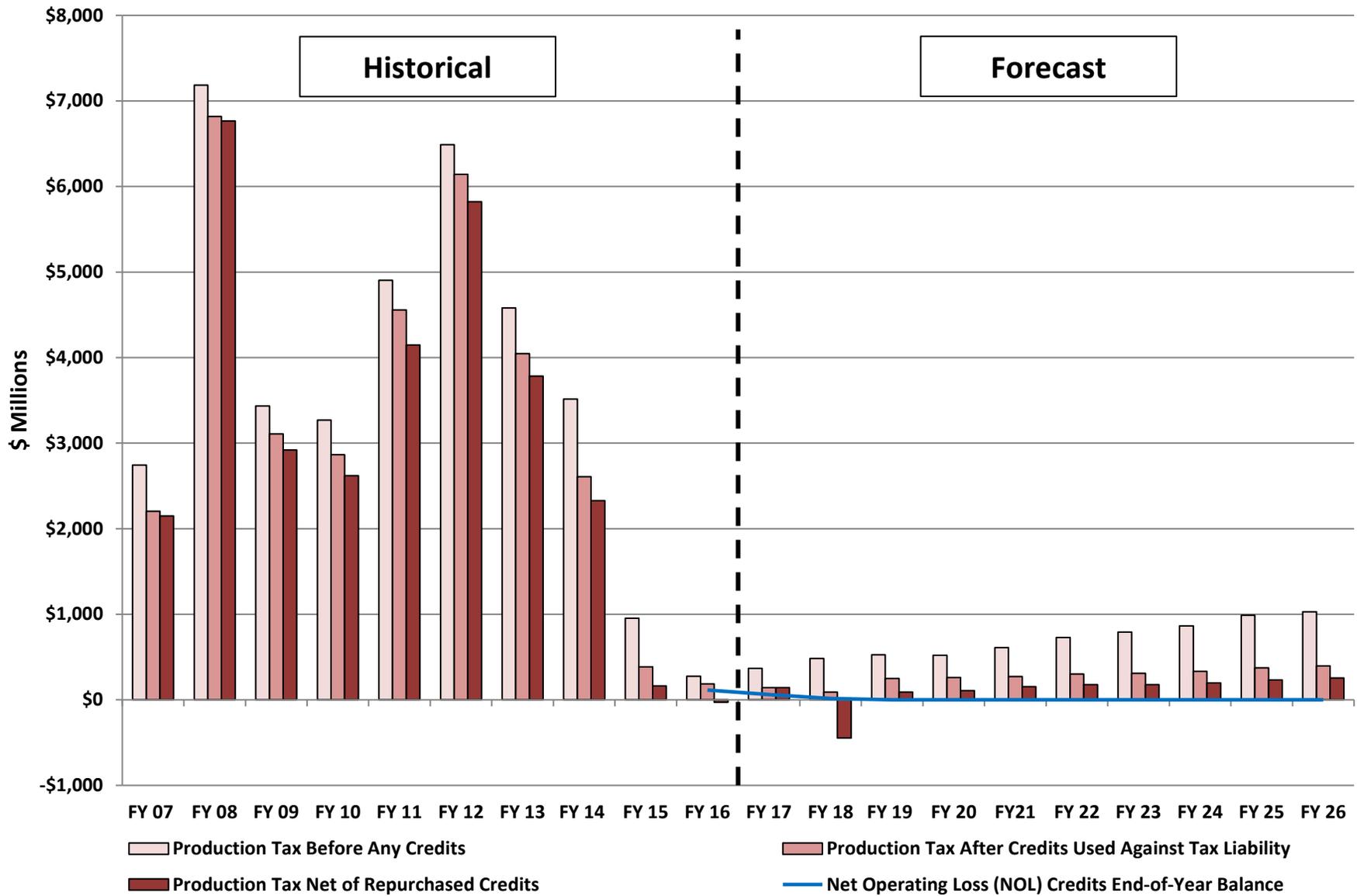
Key Assumptions: For the purpose of this analysis, it is assumed from FY 2007 to FY 2015 that the Non-North Slope share of production tax revenue, after credits used against tax liability, was \$5 million for each fiscal year. Historical breakout by area of unrestricted petroleum revenue from FY 2007 to FY 2015 is not available at this time. DOR is in the process of performing additional analysis to more accurately estimate the historical breakout of both production tax revenue and unrestricted petroleum revenue by fiscal year. All other assumptions are in the Fall 2016 Revenue Sources Book.

History: Charts were prepared using the Spring 2016 Revenue Sources Book and those charts were used in a presentation for the House Resources Committee on January 30, 2017. The included new charts have been updated using the Fall 2016 Revenue Sources Book. After subsequent presentation to the House Resources Committee on February 17, 2017, they requested these same slides be broken down by North Slope and Non-North Slope areas in four separate charts.

Disclaimer: The Department of Revenue is in the process of reviewing and updating the data on which this analysis is based. As a result, future analysis could have different results.

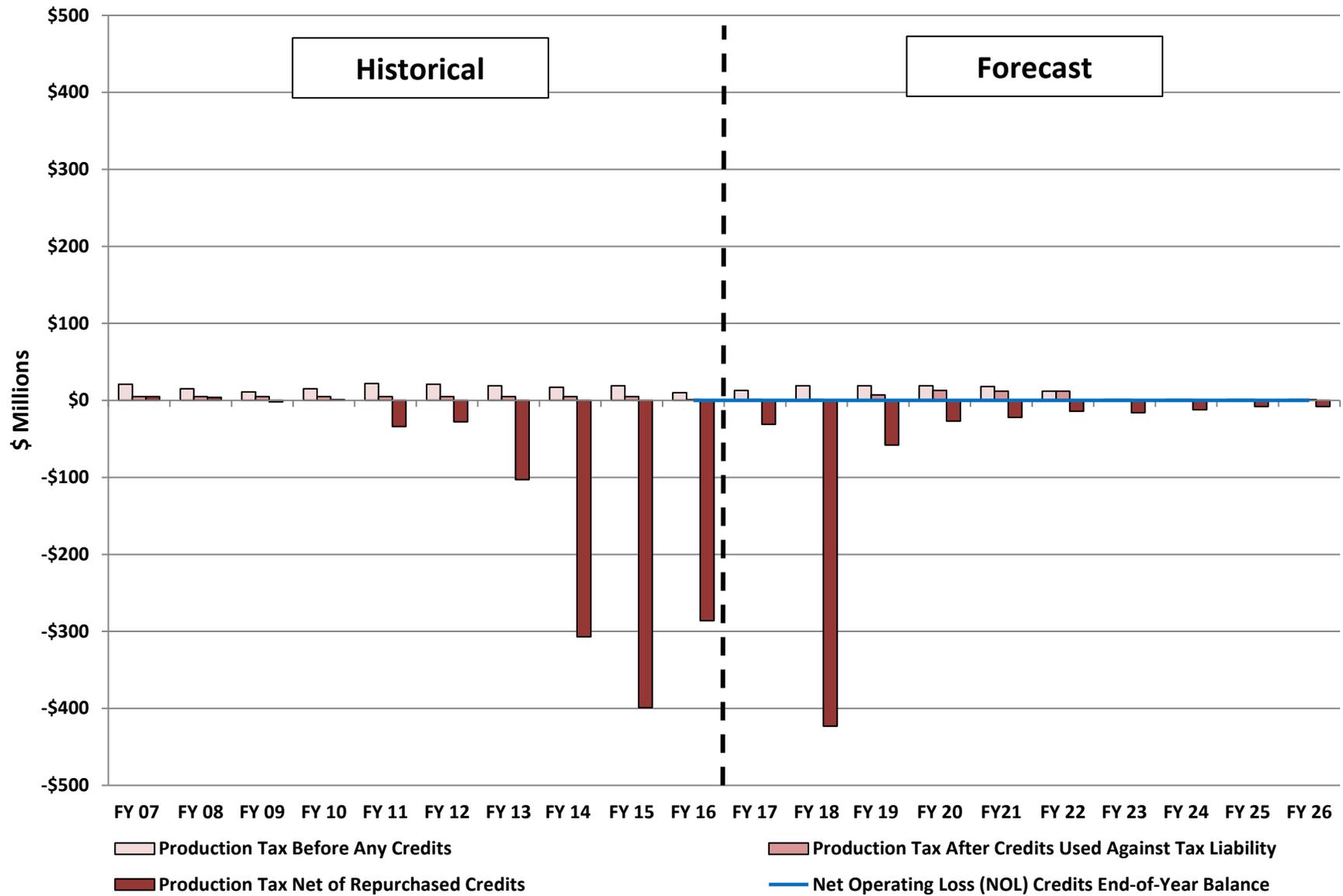
The information contained in this workbook may be privileged, confidential or otherwise protected from disclosure. If you are not the intended recipient, any use, dissemination, disclosure, distribution or copying is strictly prohibited.

## North Slope Tax Credits and Production Tax Revenue



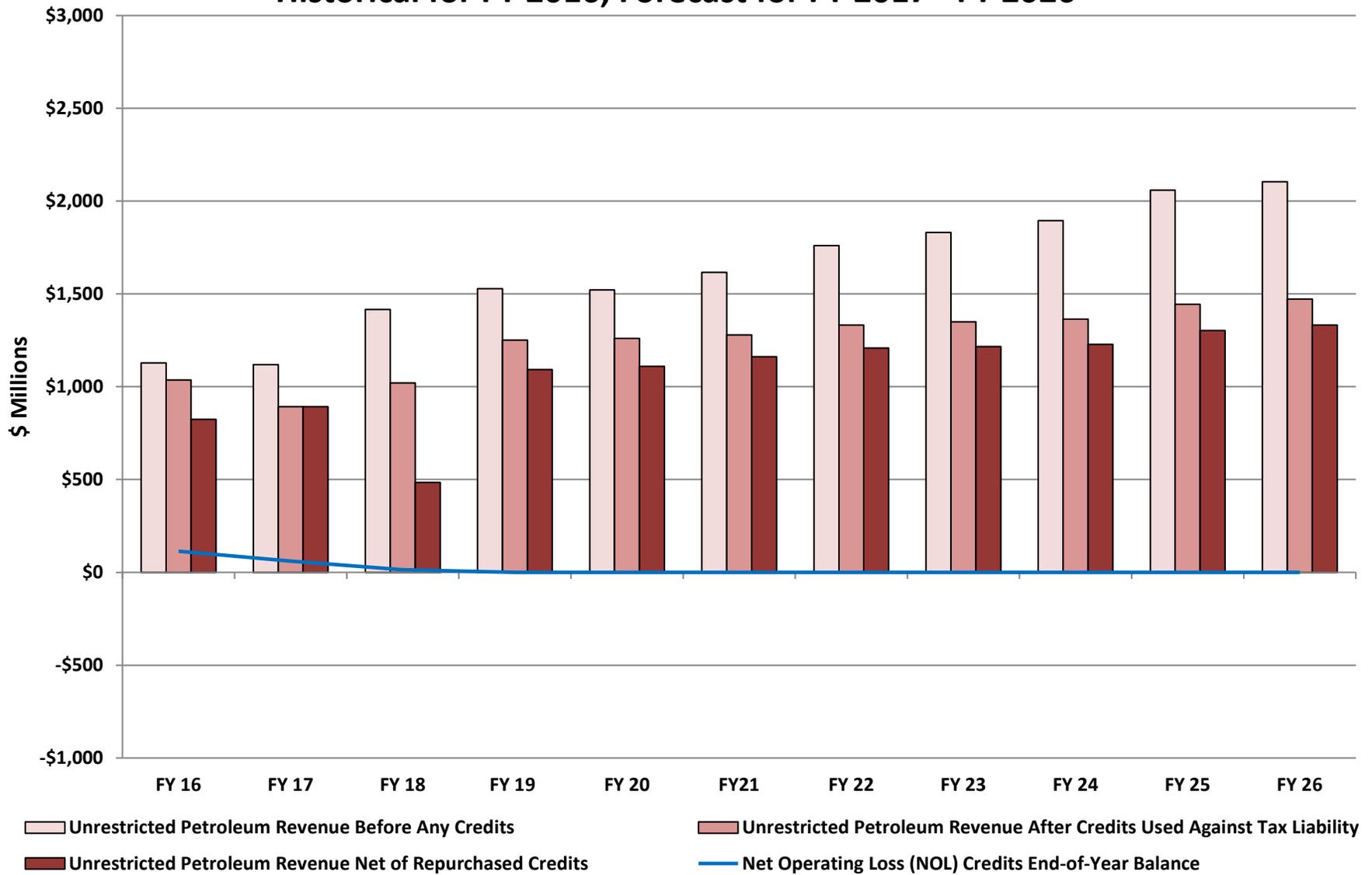
Note: Repurchased credits in the Fall 2016 RSB assume that all credits available for repurchase are funded in FY 18 and beyond.

## Non-North Slope Tax Credits and Production Tax Revenue



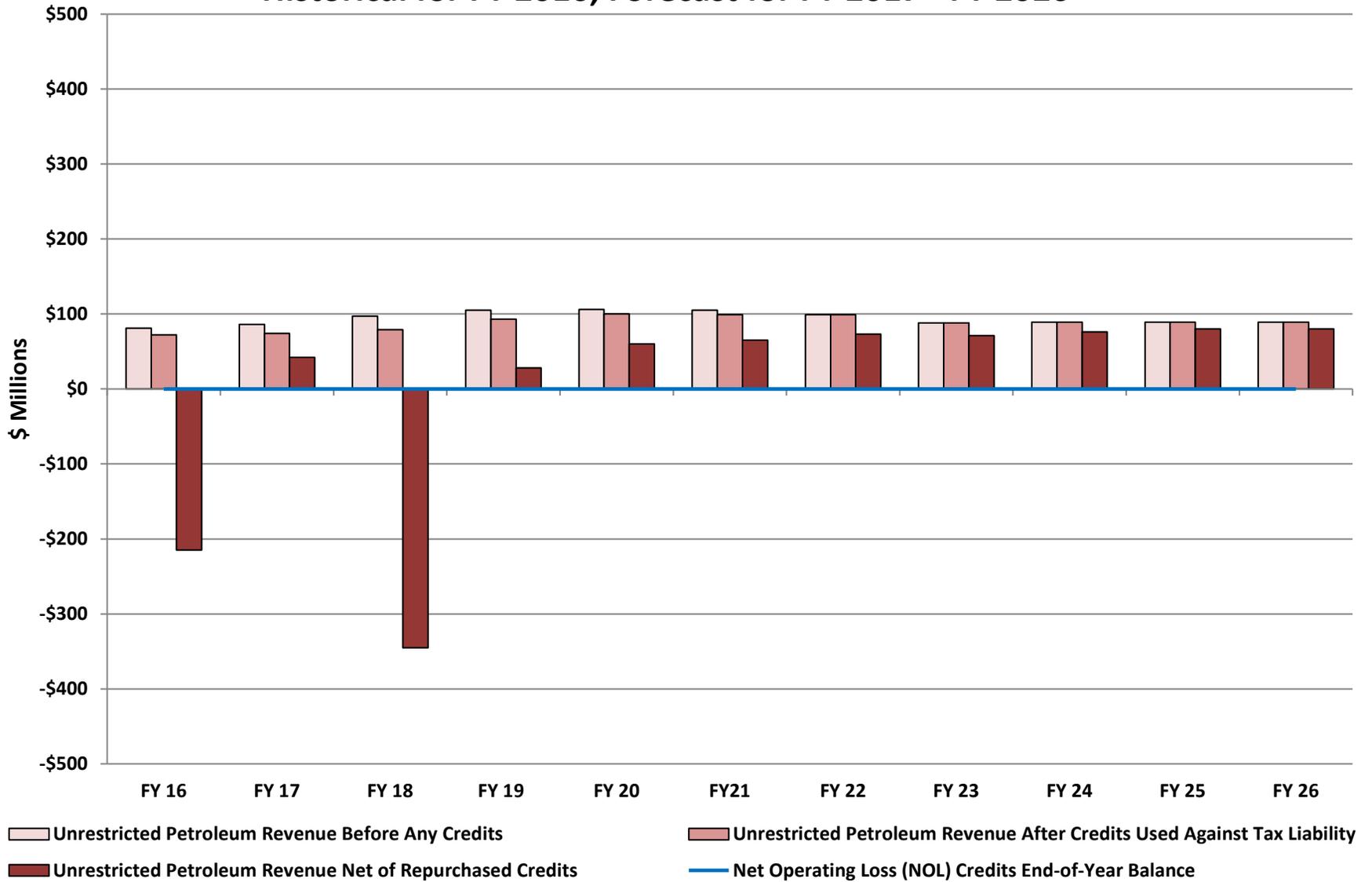
**Note:** Repurchased credits in the Fall 2016 RSB assume that all credits available for repurchase are funded in FY 18 and beyond.

## North Slope Tax Credits and Unrestricted Petroleum Revenue, Historical for FY 2016, Forecast for FY 2017 - FY 2026



**Note:** Repurchased credits in the Fall 2016 RSB assume that all credits available for repurchase are funded in FY 18 and beyond.

## Non-North Slope Tax Credits and Unrestricted Petroleum Revenue, Historical for FY 2016, Forecast for FY 2017 - FY 2026



**Note:** Repurchased credits in the Fall 2016 RSB assume that all credits available for repurchase are funded in FY 18 and beyond.